Higher Education and Employment Advancement Committee

Public Hearing, Thursday, March 5, 2009, 12:00 p.m., Room 1E, LOB

Statement of Fred Hyde, M.D.

Madam Chairmen and Members of the Committee, my name is Fred Hyde. I am a resident of Ridgefield, Connecticut. I have spent forty years in health care management and finance, with appropriate academic background. I teach hospital management and health care financial management in the School of Public Health at Columbia University. I have been commissioned by a group of unions representing 3,500 employees at The University of Connecticut Health Center to review proposals before you.

I have submitted a report which, while commissioned by these unions, is my responsibility and my opinion. I would be happy to answer questions about the report. Rather than repeating matters which you can review in that report, I would like to focus on a few important issues.

First, the John Dempsey Hospital is an integral part of The University of Connecticut Health Center. For any who have been familiar with the Health Center, it is impossible to imagine its survival as an academic enterprise without a functioning clinical facility. There are a number of schools of medicine that have no primary teaching hospital, most of them undistinguished and not in the ranks occupied by your University's health center. The one exception, oft noted, is Harvard. The key difference between Harvard and The University of Connecticut Health Center is political power: the Dean of the Harvard Medical School has the power to create, rearrange and dissolve the teaching programs at the Massachusetts General Hospital, the Brigham and Women's Hospital, the Beth Israel Medical Center and, to a lesser extent, many of the other hospitals in eastern Massachusetts. The University of Connecticut Health Center has no such power; indeed, what influence it has is repeatedly and periodically eroded by the opposition of well-connected Hartford area hospitals, expressed in part to and through public officials, and complicated by the indifference or conflicts of University leaders.

Second, the aggregate of deficits for the decade associated with the John Dempsey Hospital, if one is to believe all projections in the current budget, will be roughly $70 million. At the same time, the revenue generated by patient care at this hospital will be about $2 billion.

Third, even this deficit seems to be too much. Attention becomes focused on operations at the John Dempsey Hospital. From operations, the performance of John Dempsey Hospital has been better than that at either Hartford or Saint Francis, on average, for the past three years. This is from operations only, and is evidenced by audited financial statements collected by the Office of Health Care Access. The most recent on file are for 2007.

The total margin of the private hospitals is augmented by philanthropy and non-operating income. Hartford alone, for example, has a $70 million free bed fund. The operating margin of the John Dempsey Hospital is augmented by you, intermittently.

Fourth, even focusing only on operating margins, much could be done to bring the John Dempsey Hospital to at least a breakeven state. The tools for more effective management have been purchased over time, in studies whose expense has, thus far, far outweighed gains they have produced. Ten years ago the Huntington Group made constructive recommendations, which I cited in testimony to your predecessor committee in the year 2000, when then-Governor Rowland had proposed closing the hospital. In the intervening years, to adapt Chesterton's epigram on Christianity, these recommendations have not been tried and found wanting, rather they have been found difficult and left untried. For the last two years, the attention of leadership has been diverted from the management of the hospital, with predictable results.

Now there is a new $2.5+ million study from PricewaterhouseCoopers, also aimed at improving management, and with a new chief financial officer whose reputation speaks to a potential for real success, if supported by this Committee.

What would that support involve? Here are the specifics that I urged ten years ago, and which I repeat in this report:

> (1) Governance: There are thirty-two hospitals in Connecticut. Thirty-one of them have boards of directors who pay specific attention to the hospital, and who meet monthly. Only one does not--your hospital. The University of Connecticut Health Center Board bears little resemblance to a typical hospital board; it has such matters as student tuition, research activities and many other non-hospital matters on its agenda, which it faces only quarterly. Moreover, there is little evidence that the hospital management feels itself accountable to that Board or to anyone except the passing figures who occupy the top slots in the Health Center. You really should force the creation of a hospital board and ask it to take on the responsibilities which all of the volunteers on non-profit hospital boards of trustees do. You should ensure that the hospital chief executive and chief financial officer know that they are working to satisfy such a board. Without these actions, you will be faced by repeat episodes of the proposals before you, some less implausible than others, but all of them foretelling and predicting, in the alternative, calamity or unsupportable State expense.
>
> (2) Support for the Hospital: Someone has to provide this hospital and the Health Center with political support for its initiatives. Let me give you a short example: As the "State's medical center" - - serving citizens from one hundred cities and towns throughout the State - - notwithstanding its small size - - the University of Connecticut has a mission. This was the mission John Dempsey endorsed, the mission your predecessors have supported. How does one support this mission? By encouraging - - even forcing - - the University administration to back its own health center, notwithstanding the creaks and moans from competitor hospitals.

Every day you or your colleagues pass along pressure from the competing hospitals the University becomes weaker, not stronger. I would be glad to discuss examples where this would help.

(3) Bed size, efficiency, and synergy: You have heard that the hospital is the smallest academic health center in the nation. Not for long. The University of South Florida will also have a smaller teaching hospital, but an important one for them—important for the same reason an independent Dempsey Hospital is for UCHC. USF has requested approval from the State of Florida for the development of its own on-campus hospital - - *100 beds*. Why would they request 100 beds? Because they recognize that the world has moved on, away from beds as the measure of mission, and toward a more fully diversified program of ambulatory care, physician care, advanced nurse practice care, continuity between each of these elements, and away from the supine, dependent, horizontally approached inpatient. Why would that school build *any beds* on campus? The health center's chief executive said, "We need a place where our physicians can organize the entire range of care, where the emphasis will be on scientific underpinnings and where people can be part of figuring out the next generation of treatments."

Parenthetically, speaking of nursing practice, you are responsible for a school of nursing that is, at least by anecdote and reputation, less interested than most in clinical activity. Move it. If you are going to have a comprehensive health center with a school of medicine and a school of dentistry, the school of nursing belongs on that campus. I should point out that, to the extent federal money is now available for construction, it is available for construction of schools of nursing and for research facilities.

(4) Physicians and ambulatory care: The growth of the Health Center and the satisfaction of its mission will take place through physicians, and increasingly through ambulatory care. Physician services are well reimbursed. The toll of managed care and the American system is such that a doctor (or those employing doctors) needs to collect a dollar for every fifty cents that he or she takes home. The other fifty cents is a testament to the inefficiency of the health insurance system, to the difficulty of getting paid for what you do, to all of the "back office" activities that are attendant to physician activities.

The physicians who are part of the University group earn fifty cents, not a dollar, and the difference is supported by the hospital, a drag on earnings which no other hospital in the State must support.

Ambulatory surgery? Ambulatory surgery is a winner, but is miniscule at The University of Connecticut Health Center, having been partially outsourced and accounting for none of the profit which should be generated from such an enterprise.

In summary, you have been told that only two alternatives face you - - either the privatization of your University hospital, and the subsequent loss of its mission as the State's medical center - - or, in the alternative, calamitous decline.

I would submit that there is an alternative which will require much less money but much more courage on your part, and that is to look for leadership in the University and in the University Health Center.

Leadership will start at the top, with governance that is accountable and a chief executive who is given rein to actually run this enterprise. That leadership will translate into more effective financial management and to program development, not in conflict with--but not in fear of--jealous competitors in the Hartford area. For the moment, and for the bills before you, you need to just say "no"; then you need to look for personal responsibility and accountability. When you find it, you need to personally back and support the Health Center, even at the discomfiture of private sector competitors.

Thank you for the opportunity to present these views.